

§ 143C-4-10. Unfunded Liability Solvency Reserve.

(a) Creation. – The Unfunded Liability Solvency Reserve is established as a reserve in the General Fund. The Unfunded Liability Solvency Reserve is an employee benefits trust as described under G.S. 143C-1-3(a).

(b) Definitions. – The following definitions apply in this section:

- (1) Benefit enhancement. – Any change to the benefits provided under the Teachers' and State Employees' Retirement System of North Carolina established under G.S. 135-2 or to the Retiree Health Benefit Fund established under G.S. 135-7(f) that is estimated to increase the contributions or liabilities associated with either program, as indicated by an actuarial note provided under G.S. 120-114.
- (2) Health Benefit Fund. – The Retiree Health Benefit Fund established under G.S. 135-7(f).
- (3) Health Benefit Fund Actuarial Committee. – The Committee on Actuarial Valuation of Retired Employees' Health Benefits established under G.S. 135-48.12.
- (4) Reserve. – The Unfunded Liability Solvency Reserve established under subsection (a) of this section.
- (5) Retirement System. – The Teachers' and State Employees' Retirement System of North Carolina established under G.S. 135-2.

(c) Source of Funds. – The Reserve shall receive the following funds:

- (1) Any amounts that shall be appropriated by the General Assembly.
- (2) Funds transferred under G.S. 142-15.4, 142-96, and 143C-4-2.

(d) Transfer of Funds From the Reserve. – The transfer of funds from the Reserve shall meet all of the following requirements:

- (1) The funds in the Reserve shall be used only for transfers to the (i) Health Benefit Fund or (ii) the Retirement System for the purpose of reducing the unfunded liabilities of those two funds.
- (2) Funds in the Reserve must be appropriated by the end of the next fiscal year after the funds entered the Reserve.
- (3) Transfers from the Reserve to the Health Benefit Fund and the Retirement System shall not supplant employer contributions otherwise designated for the Health Benefit Fund or Retirement System. Transfers shall be made from the Reserve only upon the following conditions:
 - a. The portion of the State's employer contribution rate provided to the Health Benefit Fund is not less than the cost of the premiums for the retirees served by the Retiree Health Benefit Fund in the most recent plan year.
 - b. The portion of the State's employer contribution rate provided to the Retirement System in effect at the time of the transfer is equal to or greater than the rate certified under G.S. 135-8 as necessary by the Board of Trustees of the Retirement System.
 - c. Transfers from the Reserves shall not be used to pay the cost of benefit enhancements commencing after July 1, 2017.

(e) Use of Funds in the Reserve. – On the first day of each fiscal year, the total balance of the Reserve as of the last day of the preceding fiscal year shall be used to appropriate an additional employer contribution to the Health Benefit Trust and the Retirement System. This additional employer contribution shall be calculated as follows:

- (1) The total balance in the Reserve as of the last day of the preceding fiscal year shall be divided between the Health Benefit Fund and the Retirement System

according to each program's proportion of the State's total unfunded liability of both programs as reported in the most recent Comprehensive Annual Financial Report issued by the State Controller.

- (2) Each program's pro rata share of the total balance in the Reserve as of the last day of the preceding fiscal year shall be converted into a percentage of the General Fund payroll of covered members of the Health Benefit Fund and the Retirement System.
- (3) Each program's percentage of General Fund payroll of covered members, as calculated in subdivision (2) of this subsection, shall be set as an additional portion of the State's employer contribution rate budgeted for retirement and related benefits. The following shall also apply:
 - a. The percentage of General Fund payroll of covered members allocated to the Health Benefit Fund shall be added to the portion of the State's employer contribution rate budgeted for hospital and medical benefits.
 - b. The percentage of General Fund payroll of covered members allocated to the Retirement System shall be added to the State's employer contribution rate budgeted for the Retirement System.

(f) Not Considered Debt Service Funds. – Any funds in the Reserve, as well as any funds from the Reserve used to establish additional contributions to the Health Benefit Fund or Retirement System, shall not be considered debt service funds for general long-term debt principal and interest. (2018-30, s. 1.)